

Message Text

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C O N F I D E N T I A L SEOUL 7477

CINCPAC FOR POLAD

EO 11652: GDS

TAGS: PINT, KS, ECON, ETRD

SUBJECT: NATIONAL ASSEMBLY TO OPEN ON SEPTEMBER 20

REF: SEOUL 7307 (DTG 140820Z SEP 76)

BEGIN SUMMARY. NATIONAL ASSEMBLY DRP AND YUCHONGHOE LEADERSHIP HAS ANNOUNCED THAT SEPTEMBER 20 WILL BE OPENING DAY FOR NINETY-DAY REGULAR SESSION AND THAT ASSEMBLY WILL CONCENTRATE ON PASSAGE OF FY 1977 BUDGET AND AVOID DISCUSSION OF NATIONAL SECURITY AND YUSHIN CONSTITUTION. NEWLY ELECTED OPPOSITION LEADERSHIP HAS NOT YET FORMALLY ANNOUNCED ANY NDP COUNTER PROPOSALS OR INDICATED ANY NEW STRATEGY. END SUMMARY.

1. DRP AND YUCHONGHOE LEADERSHIP HAS ANNOUNCED THAT NATIONAL ASSEMBLY'S NINETY-DAY REGULAR SESSION BEGINNING SEPTEMBER 20 WILL CONSIDER 99 LAW BILLS INCLUDING 18 TAX BILLS. RULING DRP HAS STATED QUITE ADAMANTLY THAT ASSEMBLY LEADERSHIP WOULD NOT ALLOW DEBATE ON NATIONAL SECURITY ISSUES OR YUSHIN CONSTITUTION. ITS CONCENTRATION, EXPECTED TO BE ON FY 1977 BUDGET (JAN.-DEC.). AGENDA CALLS FOR
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DISCUSSION OF ROKG PROPOSED 2,675 BILLION WON BUDGET AND

THIS YEAR'S SUPPLEMENTARY BUDGET OF 233.9 BILLION WON. FY 1977 BUDGET IS 32 PERCENT INCREASE OVER FY 1976 BUDGET WITHOUT SUPPLEMENT AND 18.4 PERCENT FURTHER INCREASE IF SUPPLEMENT IS INCLUDED IN COMPUTATION.

2. YUCHONGHOE MEMBER SO IN-SUK HAS COMMENTED TO US HE EXPECTS FEW BUDGET CHANGES. GOVERNMENT PARTY MEMBERS HE SAID HAVE ALREADY GIVEN BUDGET AN EARLY REVIEW BUT SUGGESTED ONLY MINOR CHANGES; THOSE SUGGESTIONS WERE FOR SMALL INCREASES, SUCH AS OVERSEAS PRESS AND PROPAGANDA EFFORTS.

3. IN ADDITION TO BUDGET, SEVERAL BILLS OF IMPORTANCE BEARING ON ECONOMY ARE EXPECTED IN HOPPER. THESE INCLUDE TAX REFORM MEASURES (REF), AN OMNIBUS REVISION OF INVESTMENT INCENTIVE LAWS, AND A REVISED MEDICAL INSURANCE LAW (A-99 OF JULY 2, 1976) AS WELL AS LEGISLATION TO IMPROVE HEALTH CARE FACILITIES. THE US-KOREA TAX CONVENTION SIGNED ON JUNE 7 WILL BE SUBMITTED TO ASSEMBLY FOR RATIFICATION. FROM REPORTS WHICH HAVE APPEARED IN PRESS IT WOULD APPEAR THAT SOME TAX REFORM MEASURES (THERE ARE 4 BILLS AND AMENDMENTS TO 14 OTHERS) MAY ALSO UNDER-GO SOME CHANGES BEFORE BEING PASSED. IT IS UNLIKELY THAT OPPOSITION WILL ARISE AGAINST HEALTH CARE ACTS AS INSURANCE PROGRAM WILL REQUIRE LIMITED GOVERNMENT OUTLAYS AND THE FACILITIES WILL PROVIDE CARE FOR LOWER INCOME GROUPS.

4. SINCE SEPTEMBER 16 NDP ELECTION, WHICH BROUGHT YI CHOL-SUNG TO MOST SIGNIFICANT PARTY LEADERSHIP POSITION, NDP HAS NOT YET HAD TIME TO ORCHESTRATE ITS RESPONSE. BUT SEVERAL OPPOSITION ASSEMBLYMENT CONFIDED TO EMBOFF AT CONVENTION THAT NDP HAD BEEN TOYING WITH IDEA OF CLAIMING YUSHIN CONSTITUTION CONTAINS PROVISIONS FOR AMENDMENT OF CONSTITUTION (AS IT DOES) AND THUS NDP CALLS FOR AMENDMENT WOULD NOT BE COUNTER TO "YUSHIN SPIRIT." WHETHER THIS IS SERIOUS TACTIC OR NOT IS NOT YET CLEAR. NDP MAY WELL RAISE QUESTIONS CONCERNING ROKG TAX PROPOSALS, POINTING TO INCREASE IN TAX BURDEN AS WELL AS LIMITED TAX BREAK FOR LOW INCOME FAMILIES (REF).

5. COMMENT: ARGUMENTS BY NDP ON TAX ISSUES SEEM LIKELY OVERALL STRATEGY FOR NDP THIS SESSION. DRP AND "FRATERNAL" YUCHONGHOE HAVE NOT INDICATED PUBLICLY OR PRIVATELY THAT

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THEY ARE PARTICULARLY WORRIED ABOUT OPPOSITION AT THIS SESSION OF ASSEMBLY AND NDP LEADERSHIP VICTORY OF YI CHOL-SUNG, WHO IS CONSIDERED MOST GOVERNMENT LEANING OPPOSITION LEADER, ENHANCES THIS PROSPECT. IN THE MAIN WE EXPECT ASSEMBLY TO PUFF INEXORABLY ALONG PREDETERMINED GOVERNMENT LAID TRACKS.
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